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IP: Paying for it doesn't mean you own it

Companies can obtain ownership of the rights to a work through assignment or work for hire

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This is an oft-discussed topic, yet several times a year those of us who practice in the field of intellectual property hear from clients that hired someone to create content, did not have the proper documentation in place and then discovered that the company did not own the rights to the content that was developed.

Copyright protects so-called "works of authorship," which can be works of art, text, source code, music, etc. Companies frequently engage independent contractors to create copyrightable content for them—for example:

- A graphic designer who designs a logo
- A web designer who designs or modifies a website
- A photographer who takes pictures for the company brochure
- A software developer who writes (or contributes to, or updates) a valuable computer program that is used by the company

And these are just a few examples.

Under U.S. copyright law, the "author" of a work is the initial owner of the rights to that work. Thus, the default scenario will be that a party engaged by a company to create content will be the owner of that content—not the company.

There are two ways that someone other than the person who creates the work can become the owner of the rights in the work. The first is by an assignment, and the second is if the work is deemed to be a "work for hire."

The difference between a company owning a work through an assignment and owning it through a work for hire primarily affects the duration of the company's rights to the work. The author can (by complying with certain statutory formalities) terminate the assignment 35 years after he or she assigns a work to another party, and the rights will revert to him or her. However, if a company owns a work as a work for hire, it is the company that is then deemed to be the author, and the company will own the rights to the work for the life of the copyright (unless, of course, the company assigns it to someone else). In many circumstances an assignment will suffice because few works that companies routinely use have a value that will last more than 35 years. But in some cases a work may have value that spans longer than 35 years. Thus, owning content as a work for hire is preferable.

There are two ways that a work will be deemed to be a work for hire:

1. **If it is created by an employee within the scope of his or her employment.** For example, a newspaper that employs reporters will own the copyright in the articles written by those reporters because that is what the reporters are hired to do. On the other hand, if a company has an employee working in its accounts payable department who happens to know something about web design and offers to work on the company website, that work will not be considered "within the scope of his/her employment" and would likely not be considered a work for hire. In determining whether a work was created by an employee within the scope of his or her employment, courts will look at several factors, including "the skill required, the source of the instrumentalities and tools, the location of the work, the duration of the relationship between the parties, whether the hiring party has the right to assign additional projects ... the hired party's discretion over when and how long to work; the method of payment" and many others (*Community for Creative Non-Violence v. Reid)*.
2. **If it is agreed in writing (signed by both parties) that it is a work for hire and it falls within one of nine categories listed in Section 101 of the Copyright Act.** Those categories are: a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test and an atlas.

Most of these categories are very specific. A few leave some room for a broader application, such as contributions to collective works and audiovisual works. Thus, even if both parties agree that a certain work is to be a work for hire, and document that understanding appropriately, it still will not be a work for hire if it does not fall within one of the nine categories.

The important thing to realize is that it is rarely certain that a particular work will be deemed a work for hire. There will frequently be room for litigation, whether it be over someone's employment status, whether the creation of the work was within the scope of the employment, whether the writing was sufficient to create a work for hire relationship or whether the work falls into one of the nine categories.

For this reason, whenever one is documenting a work for hire relationship, it is important to have a "back-up assignment." The agreement will provide that the parties agree that the work is a work for hire and that the hiring party is to be considered the author for purposes of copyright, but it will also say that to the extent that the work may be deemed ineligible for work for hire status, the creating party assigns all rights in the work to the hiring party.

In sum, the two most important takeaways are:

1. Whenever a company hires someone to create content for the company, it should not forget that there will be copyright issues and that it needs to ensure that it owns the copyright in the work

2. Documentation with an independent contractor will ideally contain both work for hire language and assignment language. Although these agreements are not complicated, companies should have IP counsel prepare them, as nuances in the language both with regard to the work for hire component and with regard to the assignment component can be significant.

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